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In the Supreme Court of the United States

OCTOBER TERM, 1975

No. 74-1555

KAISER INDUSTRIES CORPORATION ET AL.,
Petitioner,

vs.

JONES & LAUGHLIN STEEL CORPORATION,
Respondent.

Motion for Leave to File Brief Amicus Curiae

Brief Amicus Curiae of the California Patent Law Association in Support of the Petition for Writ of Certiorari to the United States Court of Appeals for the Third Circuit

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To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

The California Patent Law Association respectfully moves for leave to file the annexed brief *amicus curiae* in support of the petition in the above identified case for a writ of certiorari directed to the United States Court of Appeals for the Third Circuit.

Consent to the filing of this brief has been requested from and granted by the Petitioner through its attorneys of

record. Consent to the filing of this brief has not been requested from Respondent because the position taken by the California Patent Law Association regarding Certiorari supports the issuance of the writ. We are informed that respondent has denied permission for the American Patent Law Association to file a brief *Amicus Curiae* in support of issuance of the writ. Since a similar request on our part would undoubtedly be denied, this motion is brought at this time to avoid the delay incident to making such a request and receiving a negative response thereto.

The California Patent Law Association is composed of lawyers practicing in California who have organized into a statewide association to aid in and improve the administration of the patent laws and the laws in related fields. The vast majority of California lawyers practicing in the field of patent law are members of the association. The Association's membership includes not only all of the lawyer members of the patent law associations of Los Angeles, San Diego, San Francisco, and the San Francisco peninsula, but also members-at-large who are not members of any local association.

We approach the questions involved in the present case from the viewpoint of the Petitioner because we believe that if the present patent system is to survive as an effective instrument of economic policy, the public interest in relieving the economy from the burden of unworthy patents must be fairly balanced against the equally vital public interest in sustaining patents for meritorious inventions; without undue emphasis, in either case, on mere matters of form or procedures.

We submit that, in the present case, the Court of Appeals for the Third Circuit did not effect such a balance; that it was the intent of this Court's decision in *Blonder-Tongue*• that such a balance should be maintained; and that review of the present case by this Court therefore is of great public importance.

Respectfully submitted,

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•*Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971).

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PREFACE

In *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation,* 402 U.S. 313 (1971), this Court decided that the time had come to substantially reduce the opportunity to relitigate a patent previously held invalid, such relitigation having been freely available to a patentee under *Triplett v. Lowell,* 297 U.S. 638 (1936), simply by choosing a new defendant. However, in so doing, this Court did *not* pronounce a rule of *in rem* patent invalidity once a first holding of invalidity occurred. Rather, it was the holding

of *Blonder-Tongue* only that collateral estoppel might apply in such instances and that decisions as to whether relitigation would be permitted would necessarily be made on a case-by-case basis and would largely turn on the facts in each individual case and on the *"trial court's sense of justice and equity."*[1]

The present case raises the question of whether, by *reversing*[2] the determination by the District Court that collateral estoppel should not apply, the Third Circuit took the matter out of the trial court's hands in an improper manner and read the rule of *Blonder-Tongue* as a virtually automatic bar to relitigation of a patent under almost any circumstances.

This question is an important federal question, arising frequently in patent cases, which is the particular interest of the California Patent Law Association. The decision below failed to follow this Court's ruling in *Blonder-Tongue*.

THE DECISION BELOW PRECLUDES A MEANINGFUL DAY IN COURT

The adage that "Every man is entitled to a day in Court" is premised on a *meaningful* day in Court. It is an interest of overriding public importance that collateral estoppel not be applied in a manner which frustrates that right.

In the present case, it is uncontroverted[3] that the Michigan District Court in the first (hereinafter *"McLouth"*) litigation invalidated the patent on grounds (abandonment of claims to the "gist" of the invention and file wrapper

1. 402 U.S. at 334.

2. *Kaiser Industries Corp. v. Jones & Laughlin Steel Corp.*, 515 F.2d 964 (3 Cir. 1975).

3. Respondent has so stipulated, Pet. App. 205.

estoppel[4]) which it raised *sua sponte*. However, Respondent[5] contends, and the Court below held, that Petitioner was at "fault" by not achieving immediate redress in the Michigan District Court or the Sixth Circuit by securing reopening of the trial, remand or some other on-the-spot remedy. This line of reasoning loses sight of the cardinal point—that Petitioner *without fault of his own* did not, and was not able to, introduce at trial the "crucial"[7] evidence which went to the grounds of invalidation.

A review of the reasons evidence was not introduced at trial is all that should be required to satisfy this Court's prescription that the failure to introduce evidence in a first litigation be "without fault"[8] of the patentee. This would serve the desirable interest of preventing relitigation on the basis of afterthoughts. But, to extend the requirement of "without fault" to an exhaustion of all conceivable post-trial and appellate[9] procedural devices is to place unreasonable demands on trial counsel and to unduly penalize the client who has not retained a procedural wizard.

4. *Henry J. Kaiser Co. v. McLouth Steel Corp.*, 257 F. Supp. 372, (E. D. Mich. 1966).

5. Resp. Br. 25.

6. 515 F.2d 982.

7. It convinced the Pennsylvania District Court that the patent was valid.

8. *Blonder-Tongue*, at 402 U.S. 333.

9. This is especially so with regard to appellate proceedings because it is inordinately difficult for an appellate court to evaluate the significance of proferred new evidence; particularly, when it is technical in nature and can best be understood through the testimony of an expert witness. A trial court in a second litigation, if any, can far better serve this function.

In summary, it is the right of a party to a meaningful hearing. Given a *sua sponte* decision by a trial court as to which important new evidence is offered in later litigation, the right to a meaningful hearing should not turn on the ability to reopen the record at the post trial or appellate level.

THE DECISION BELOW UNDERMINES THE RELIABILITY OF ADMINISTRATIVE PROCEEDINGS

Unless reversed by this Court, the decision below makes it error for a party to cooperate with an agency during an administrative proceeding or to expect that the result of an administrative action, as to which agency and applicant *agree,* will have its intended effect.

The following is beyond dispute in the present case:

1. The Patent Office has a technical mission and its Examiners have skill in the technical arts, a skill that the judiciary does not possess.
2. The claim amendments upon which the holdings of abandonment and file wrapper estoppel by the court below are bottomed were suggested by the Patent Office.
3. Both the Patent Examiners and the attorneys who prosecuted the patent application *agree* that they considered the claim amendments, which were technical in nature, to be a matter of *form* which was not intended to make a change in substance.
4. The *McLouth* courts declined to consider the affidavit evidence in the file history of the patent in suit with regard to the issues of abandonment and file wrapper estoppel.
5. The District Court in the present case considered the affidavit evidence and heard consistent testimony by the Patent Examiners and the attorneys who prosecuted the patent that their *mutual* and *agreed* intent was to make only a formal change in the language of the claims and no change in substance. *There is no contrary evidence.*

In spite of this background, the appellate court below decided that the *McLouth* courts' *sua sponte* determination of abandonment, which necessarily turns on *intent,* was made on the basis of an adequate record and was correct.

Moreover, the Third Circuit decision denied effect to a fundamental precept of administrative law, recognized by this Court in *F.P.C. v. Florida Power & Light Co.,* 404 U.S. 453, 463 (1972), as follows:

> "Particularly when we consider a purely factual question within the area of competence of an administrative agency created by Congress, and when resolution of that question depends on 'engineering and scientific' considerations, we recognize the relevant agency's expertise and experience, and defer to its analysis unless it is without substantial basis in fact."

Also at stake is the degree of reliance patent applicants may place in determinations by the Patent Office when they agree to changes of form—rather than substance—as suggested by the Patent Office. If such reliance is lost, the very purpose of administrative law will be thwarted. Patent applicants will then be encouraged to contest[10] every minor issue—even though considered a mere formality at the time.

TRIAL COURTS SHOULD NOT BE DISCOURAGED FROM MAKING ADEQUATE INQUIRY ON THE ISSUE OF COLLATERAL ESTOPPEL

In *Bonder-Tongue,* at 402 U.S. 334, this Court prescribed the ultimate test of collateral estoppel when it said:

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10. Appeal from Patent Office decisions may be taken to either the Court of Customs and Patent Appeals or the District Court for the District of Columbia, 35 USC 145.

"In the end, decision will necessarily rest on the *trial court's* sense of justice and equity." (emphasis added)

The present case raises the important question of what the scope of appellate review should be when, as here, the trial court determines that collateral estoppel does not apply. We submit that the following standards should apply, but went unobserved by the appellate court below:

1. The issue of whether "a patentee has had a full and fair chance to litigate the validity of his patent" is one of *fact* and the trial court's determination should not be disturbed unless "clearly erroneous", Federal Rule of Civil Procedure 52(a).

2. The ultimate finding that collateral estoppel does or does not apply is an exercise of discretion which should not be disturbed unless *abuse* is shown.

In the present case, the appellate court has pointed to *no evidence* which would support a holding of clear error nor has any basis for finding abuse been indicated. Rather, the appellate court appears to criticize the trial court for expending too much energy in carefully following the guidelines of this Court in *Blonder-Tongue*[11]. The effect of the appellate court decision is to emasculate the notions of fairness inherent in this equitable doctrine of *Blonder-Tongue*.

It should be expected that a trial court considering a plea of collateral estoppel will first look for some *prima facie* signal that the plaintiff was deprived of a "fair opportunity . . . to pursue his claim the first time"[12]. In this case, the *sua sponte* nature of the *McLouth* court's decision,

11. 515 F.2d 985.

12. *Blonder-Tongue Laboratories v. University of Illinois Foundation*, 402 U.S. 313, 333 (1971), requesting use of the *Graham* standards.

coupled with the refusal to consider patentee's affidavit evidence, undoubtedly provided such a signal.

After that, we believe it is not only proper procedure, but an *obligation,* on the part of the trial court to pursue the matter until it can be disposed of, one way or the other, in a *fully informed* and *fair* manner. In the present case, the Patent Examiner and patent attorney testimony convinced the trial court that the estoppel plea should not be allowed.

EXALTING FINALITY OVER FAIRNESS WILL RESULT IN IN REM PATENT INVALIDITY

This Court in *Blonder-Tongue,* at 402 U.S. 333, expressly rejected the notion of an automatic estoppel, i.e., in rem invalidity. Similarly, the Government's amicus brief in that case explicitly disavowed any desire to create that extreme result at the time it was arguing that the rule of *Triplett* should be extinguished.

But the approach taken by the Third Circuit in the present case would, as a practical matter, create just such a result. Its reversal of a painstaking determination that collateral estoppel should be denied will induce a rigidity of approach mandating in rem invalidity on the part of trial courts and will discourage adequate inquiry into the basis for an estoppel plea.

CONCLUSION

We urge this Court to grant certiorari in the present case to prevent the decision of the court below from becoming an instrument for the sacrifice of fairness for finality. The Court below mechanically applied a rule of collateral estoppel without consideration of "justice and equity". The

decision of the Third Circuit will substitute a new policy of judicial rigidity for the opposite extreme (the rule of *Triplett*) stricken by this Court in *Blonder-Tongue*.

Respectfully submitted,

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